is on every CBS station on Sundays at 7 P.M./6 central, for example. In contrast, syndicated programs are on the air at different times everywhere. Although syndicators do support their programs with advertising and promotion (to add value to their barter spots), there is no comparing that effort with a network advertising campaign, and a station must bear the lion's share of promoting the program locally. If an off-network program has no barter spots in it, the syndicator will have no financial incentive to spend any money on advertising.

Another risk lies in the absence of exclusivity. Once a program is on a network, it seldom moves to another network. A local affiliate can be confident its network hit will continue to be aired on its station for the length of the program's run. In contrast, a syndicated program is under the control of the syndicator. A first-run syndication contract can be as short as one year and often is as short as two or three years. Once the contract period is over, the syndicator can move the program to another station that offers to pay more, and there is little loyalty to stations in the syndication business.

Movies

By the time a local broadcast station can air a syndicated movie, the film's appeal is often exhausted from overexposure. As a result, a once-valuable program franchise has been co-opted by bigger and deeper-pocketed cable competitors. Today it is highly unusual to discover a movie on local television that one has not had many opportunities to see elsewhere. Movies in syndication have *de*volved; once a marquee attraction carrying a premium purchase price, movies are now an economy-of-scale program choice, a low-cost product for a moderate return on the investment. The situation differs for affiliates of the Spanish-language networks, where movies imported from South and Central America may still be fresh for American audiences.

Infomercials

The infamous program-length commercials, euphemistically called *infomercials*, sell everything under the sun—kitchen appliances, weight-loss "systems," real-estate seminars, exercise equipment and self-improvement courses. Infomercials are the "elephant in the parlor" of television that station executives prefer not to discuss. These misfits of the programming world are pilloried in the industry, ridiculed by the public, and parodied on programs ranging from *Saturday Night Live* to *The Simpsons* ("Hi, I'm Troy McClure, and you might remember me from other infomercials such as *Smoke Yourself Thin* and *Get Confident, Stupid!*").

So why would a station air such easy-to-scorn programs? The answer is that infomercials are usually paid for in advance, and thus they provide quick cash to stations. No station brags about airing these programs, but at the end of a budget period, a station can preempt a program in a low-rated time period and sell the time period to an infomercial provider for a rate far in excess of what the station could otherwise generate in revenue. Most infomercials run in such out-of-the-way time periods as overnight and early mornings on weekends, although occasionally one will pop up in plain sight—for example, opposite a Super Bowl or other mega-telecast. And the lowest-ranked stations in a market are the most likely to fill part of their days with infomercials.

How can the infomercial provider afford to pay such a premium rate? The success of an infomercial depends not on its rating but on the so-called *response rate*, the number of persons who call the toll-free number and sign up for a service or order the merchandise. No matter how seemingly odd the product being pitched appears, rest assured that somewhere there is a person on the phone right now ordering it. *Infomercials are proof, indeed, that television continues to be the world's most influential advertising medium.*

Station Dayparts

There are 24 hours in a day, 168 hours in a week, 8,760 hours in a year. It is literally impossible for programmers and advertisers to work with every one of all these hours on an individual basis, and not every hour in the day is equally important. For example, on any station, 9 P.M. is a far more significant time period than 2 A.M. In the name of efficiency and expediency, for the benefit of all parties in the business—programmers and advertisers alike—the hours of the day have been grouped into *dayparts*. The dayparts represent the approximate behavior of the imaginary typical American television household. The best-known daypart, of course, is prime time. Although it might at first seem to be an arbitrary division, the grouping of hours of the 24-hour day into dayparts generally reflects the presumed lifestyles and viewing patterns of the average American viewing household. The generally accepted dayparts and their time periods appear in 8.6.

Although necessarily arbitrary, the division of the day into dayparts does indeed reflect large portions of most people's lives. For example, most people awaken in the morning between 6 and 9 A.M. (corresponding to the *early-morning* daypart), get off to work or school by 9 A.M. (start of *daytime*), and return home in the afternoon between 4 and 6 P.M. (*early fringe*). About two-thirds of American households watch television during the evening, peaking around 9 P.M. (*prime time*), although peak viewing by teens and young adults occurs later. Between 10 and 11 P.M., viewing levels begin tapering off as families and older people prepare for bed, then drop precipitously after 11 P.M. (late fringe).

Broadcasters and advertisers must agree on these dayparts, which are established by Nielsen Media Research, in order to conduct the multibillion-dollar business of setting advertising rates and selling commercial time at America's more than one thousand commercial television stations. *In addition to configuring advertising expenditures and revenue, the dayparts also set the boundaries for the programming strategies that capture the time, money and effort of broadcasting producers and executives.*

8.6 Time Periods and Dayparts

6 to 9 A.M.	Early morning
9 A.M. to 12 noon	Morning
12 noon to 4 P.M.	Afternoon
4 to 7 P.M.	Early fringe
7 to 8 P.M.	Prime access
8 to 11 P.M.	Prime time
11 to 11:35 P.M.	Late fringe
11:35 P.M. to 2 A.M.	Late night
2 to 6 A.M.	Overnight

These dayparts are standard for the eastern and Pacific time zones. In the central and mountain time zones, the dayparts change slightly: Essentially, prime time starts an hour earlier and ends an hour earlier, and early fringe, access, and late fringe move correspondingly an hour to accommodate the earlier hours of prime time.

Central Time Differences:

4 to 6 P.M.	Early fringe
6 to 7 P.M.	Prime access
7 to 10 P.M.	Prime time
10 to 10:35 P.M.	Late fringe
10:55 P.M. to 2 A.M.	Late night

Early Morning (6 to 9 A.M.)

As a lead-in to network morning news programs (*Today, Good Morning America, The Early Show*) that commence at 7 A.M. local time, many network affiliates air local news (or the early early network show). In response to the evolution of American lifestyles toward more working couples, single working parents and longer commuting times, America's workday is starting earlier and ending later. Although HUT levels are modest at dawn, most people who are awake before 7 A.M. are awake for a reason: They are preparing to go to work. These people are likely candidates for news because they are employed (and are disproportionately commuters), and they therefore meld the desirable advertising markers of income and education to the accompanying lifestyle and purchasing patterns of working people. In response to the availability of these viewers, advertisers are attracted to early-morning news programs.

These viewers usually cannot commit to watching an entire program, however, so the information is frequently repeated, with headline, traffic and weather updates occurring throughout the hour or half-hour newscast. This kind of format is called a "news wheel." In fact, viewers *listen* to the morning news as much as watch it while they get dressed, prepare breakfast, shoo schoolchildren out the door and prepare to leave the house themselves. The video product is treated as background chatter, much like radio. In larger markets that have the longest commute times, the early-morning news starts as early as 5 A.M.

The 7 to 9 A.M. time period has traditionally been a network preserve. *Today* has been on NBC for 60 years and *Good Morning America* on ABC for nearly 40 years, deeply embedding viewing patterns. Most daytime viewing is habitual viewing, and the networks try to establish that habit as early in the day as possible. CBS affiliates have suffered the most anguish in this daypart because their network has had only indifferent success over the years with its many morning efforts (see Chapter 7). Its affiliates obviously want their network to succeed, but they cannot wait indefinitely for it to do so; thus, lack of clearance exacerbates the network's problems.

During the first decades of television, when most television markets had only three stations, a network program could not finish worse than third in the ratings. Today, with nearly every available channel allocation licensed to an operating station, a network program can—embarrassingly—place beneath a syndicated program, falling to fourth, fifth or worse in the ratings. Despite CBS's expenditure of tens of millions of dollars to build a successful morning news franchise, many CBS affiliates are preempting their network's *Early Show*. They are producing their own local news programs or scheduling syndicated programming more attractive to their *lead-out* audience at 9 A.M.

In deliberate contrast to their network competitors, FOX affiliates blaze their own trail. In an attempt to capture a share of news-related advertising dollars, FOX affiliates in most markets avoid a head-on competition with network affiliates, instead producing a news product heavily weighted toward local news, local entertainment and personalities. In many markets the distinct FOX formula works to great success, beating the traditional network newscasts. The FOX strategy is that to copy the approach of CBS, NBC and ABC is futile; the international/Washington/New York orientation of the networks is both redundant and unimportant to viewers more interested in events in their own towns.

At 7 A.M., UNI carries *Despierta America* ("Wake Up, America"), which is the Hispanic equivalent of *Today* or *Good Morning America*, and contains talk, entertainment and half-hourly news updates. Over on Telemundo, the morning offering is *Levantate* ("Arise!"). The newsholes of these programs, however, tend to be even smaller than that of the English-language morning "news" programs.

Affiliates of the smaller networks counterprogram this daypart with syndicated entertainment, predominantly sitcoms or reality programming (or the dreaded infomercials). Using entertainment is an effective strategy: it avoids competing with the news business and concentrates on the smaller audiences of children and adults who don't watch news. The business strategy of these stations is not so much to maximize profit as to minimize programming costs in a low-priority daypart.

Morning (9 A.M. to 12 Noon)

The Big Three networks do not program the entire three-hour morning block; the supply varies from one to two hours, depending on the network. As a cost-sensitive measure as well as a nod to the reality that generating a morning audience is difficult, NBC in 2007 extended *Today* for a fourth hour, to 11 A.M., CBS has continued with *The Price Is Right* in late morning, and ABC airs *The View* at 11 A.M. Affiliates then complete their lineups with a mixture of first-run programs, talk and local news. The scheduling strategy is to complement the demographic appeal of programs supplied by the network.

With a relatively low HUT level providing a shaky foundation for success, the attrition rate for syndicated morning programs is high. Programmers do not have the luxury of allowing a program sufficient time to attract its audience. There are no "out of town" tryouts, unlike in the motion picture or theatrical industries. If a program fails to attract a stable audience within a reasonable period of time, then, like their network counterparts, station programmers move it to another time period or, more often, cancel it.

An intriguing characteristic of both morning and afternoon daytime is that if a new program can weather the first couple of years of attracting a loyal audience, a kind of "TV inertia" takes over, and the program enters "Video Valhalla," remaining on the schedule seemingly permanently. (*The Price Is Right*, for example, has been on the CBS daytime schedule since 1972.) Viewers during daytime tend to be homemakers, senior citizens, students and shift workers. Although they have large blocks of time to watch programs, they are not fully attentive to the programs. So producers structure their programs to enable viewers to join, depart and rejoin a daytime program easily; that is why game shows have lots of noise and require minimal levels of sustained concentration and why soap opera plots proceed so slowly.

For the rest of the morning, UNI carries *Quien Tiene la Razon?* (Who is Right?), in which guests relate their respective sides of a personal conflict/dispute, to be resolved by the moderator. Following is *Casos de Familia*, a program about familial stresses. The rest of the daytime schedule on both Univision and Telemundo mirror the staple of daytime programming: relationship programs, soap operas ("novelas"), game and talk shows.

Afternoon (12 Noon to 4 P.M.)

The only local newscasts before evenings are generally around the noon hour, a vestige of an era when more adults were home midday, and they have shifted to focus on office workers. In addition to reporting on that morning's news stories and aggregating more news-targeted ad dollars, the midday news promotes the station's other programming, particularly the late afternoon news.

The four main choices for the afternoon time period are soap operas, court shows, talk and game shows (see 8.7). For affiliates of the Big

8.7 The Beloved Soaps and Games

Soap operas are the most venerable program format, but nonetheless, few are left. ABC's *General Hospital* debuted in 1963. On NBC, *Days of Our Lives* premiered in 1965. Of all the networks, CBS soaps have had the greatest longevity until recently; now only *The Young and the Restless* is left (see Chapter 7). Networks and advertisers love soaps for the same reasons:

Because they are seriously habit forming (Fans of soap operas watch not for years but for decades … and, in some cases, for generations), and because that viewing loyalty can be translated into consumer loyalty when the same products sponsor the same soap for many years. Advertising relies on repeated messages to be effective. A viewer watching the same program every weekday for years, with the same products advertised over and over, is a rare commodity in an increasingly fragmented advertising environment.

Lest one conclude that all first-run television in daytime is devoted to exploiting the dark or voyeuristic side of human nature, there are more lighthearted categories of programs. The popularity of program formats is cyclical: Just as soaps were fading, games rose again. Game shows might be out of favor for some years, then return to popularity seemingly overnight. Game shows are traditional and quintessential daytime television fare. They are suitable for all viewers; the content is mostly questions and answers; viewers can play along at home—and feel superior when the contestants muff an easy question.

To keep the pace of the game interesting, game shows are usually a half-hour in length. Research has shown that the best companion program for rounding out the hour is another game show. That is why so many game shows are found together in a one-hour block. Even though technology has ramped up the production values of game shows, the basic elements remain unchanged: question/answer format, relatively low skill level, vicarious viewer participation and a clear payoff or disappointment. None of life's ambiguities for game shows; every game produces a winner or a loser.

Speaking of winners, even though one might think that a cash prize would be a more desirable or useful prize, an under-realized appeal of prizes is the "fantasy" aspect: the opportunity to win a dream vacation, a world cruise or an expensive car. The vicarious enjoyment of watching a contestant win a fabulous prize is always greater than watching someone win cash money.

Three, after the midday break for local news, the afternoon daypart is the mother lode for soap operas. (Network executives get irritated when "the soaps" are referred to as such, preferring to have them called "daytime continuing dramas.") Affiliates of ABC will certainly carry *General Hospital*. Affiliates of CBS will doubtless air *The Young and the Restless*. Affiliates of NBC will carry *Days of Our Lives*. The Hispanic stations follow the same pattern, using first-run or rerun *telenovelas* in the afternoons. These Spanish-language serials resemble soaps in their close focus on individual emotional ups and downs, but they have a much shorter lifespan (maybe a year or so) and contain a more obvious moral or educational point about families or society.

The remaining stations in a market counterprogram with various judges (*Judge Judy, Judge Alex, Judge David Young, Judge Joe Brown*) and justices. If the best court shows are not available, stations usually go for talk such as *Martha* or *The Ellen Degeneres Show*, or in urban markets for off-network sitcoms such as *Everybody Hates Chris* or *Tyler Perry's House of Payne*. Otherwise, hundreds and hundreds of episodes of old game and reality shows are available as reruns, but talk dominates.

Needless to say, the afternoon is the most programmatically stable and consistent daypart for viewers, networks, and advertisers. Talk programs have become a mainstay of daytime program schedules, but the mortality rate for such syndicated talk is high. Approximately 80 percent of all syndicated shows that make it to broadcast do not make it to year two. But once a program has established itself as an audience favorite, it can stay on the air for almost as long as the distributor wants. Even if a popular host departs, the program can remain if the format is popular (see 8.8). The daily syndicated talk show *Live with Regis and Kathie Lee* enjoyed a successful 12-year run and even survived the departure of Kathie Lee Gifford in 2000. Kelly Ripa joined the program (retitled *Live with Regis and Kelly*) in 2001, and the ratings *increased*. Then, Regis finally retired in 2011, ending more than a half-century on television.

Another popular daytime program category is court shows, in which a real or ersatz judge hears disputes and rules on them. The appeal of programs

8.8 Filling the Air with Talk

Talk-show formats run the emotional spectrum. At one extreme is the soufflé of nearly lighter-than-air content: interviews with celebrities publicizing their latest movie, television program or successful drug rehab (for example, *Live with Regis and Kelly*). In the middle are decorating and homemaking hints (*Martha*) or light humor with chat (*The Ellen Degeneres Show*). At the other extreme is the exploitative treatment of guests' troubled psyches or relationships, where personal and interrogatory confrontations delight or repel viewers (for example, *Montel Williams, Tyra Banks, Jerry Springer*). Industry research indicates that there is a vicarious appeal to these exploitative programs: Viewers at home, no matter how troubled their own personal circumstances, feel relieved that their own lives are not as pitiful as those of the victimized guests who are telling their tales of woe to Jerry Springer on national television.

Why are talk shows so common (in both senses of the word) in television syndication? The major reason is cost or, more accurately, *lack* of cost. Syndicated talk programs are relatively inexpensive to produce; in contrast to scripted shows, talk programs are seemingly improvised. There are no screenwriters, only low-paid "researchers"; there is no expensive location shooting because all programs are shot in studios; there is no cast of expensive stars, usually just one or two hosts; and many hosts are paid less than "stars" (but not Oprah—see 8.9) because the more relaxed schedule allows them to take on other work after that day's program is taped. In contrast, the shooting schedule for a scripted Hollywood program requires 12-hour days, script rewrites, memorization of lines, laborious camera setups and so on. The low cost threshold makes it easier for a talk-show producer to adjust the content to appeal to viewers' changing tastes and interests.

8.9 Oprah Winfrey

Born in Kosciusko, Mississippi, in 1954 to unmarried teenagers, Oprah Winfrey lived the first six years of her life in rural poverty with her grandmother. At the age of 6, she moved to Milwaukee's inner city to live with her mother who worked as a maid and was on welfare. She was molested by her cousin, uncle and a family friend at the age of 9 and became pregnant at the age of 14 but lost the baby. She was then sent to live with her father in Nashville, Tennessee.

This is not a very likely resume for one of the most influential women in America and, according to *Forbes*, the richest African-American of the twentieth century. As the story goes, while attending a party at a ranch in Montecito, California, she fell in love with the location and wrote a check for $50 million to buy the 42-acre estate. At the same time, according to *urbanmecca.com*, she is the most philanthropic African-American of all time. She has helped raise hundreds of millions to fight AIDS in Africa and to fund a girls' school in South Africa. Her Angel Network alone has raised more than $50 million dollars, and since she covers all administrative costs, 100 percent of donations go to charity. But that is the widely publicized background of Orpah Gail Winfrey. (Named after a person in the Bible's Book of Ruth, she found her name hard to pronounce and spell, so she shifted the *p* and the *r* and became Oprah.)

On the other hand, her bios say, her grandmother taught her to read by the age of 3, she skipped two of her earliest grades, and she won a scholarship to attend Nicolet High School at age 13. In Tennessee, she was an honor student, voted Most Popular Girl, placed second in the nation in dramatic interpretation, secured a full scholarship to Tennessee State University, and won the Miss Black Tennessee beauty pageant. Her broadcast career began at Tennessee State on a local radio station. When she started to anchor the news at Nashville's WLAC-TV, she was not only the youngest anchor, but also the first black woman anchor in the station's history. In 1976 she moved to Baltimore to coanchor WJZ's six o'clock news, and then cohosted a local talk show and a local version of *Dialing for Dollars*. In 1983 she moved to Chicago to take over WLS's low-rated morning talk show *AM Chicago*. Within months the show had passed *Donahue* and was Chicago's highest-rated talk show. Renamed *The Oprah Winfrey Show* in 1986, Oprah decided to go national at a time when the experts "knew" the country was not ready for a black woman host of a talk show.

In the preceding year, the country had been introduced to Oprah. Her role as Sofia in *The Color Purple* won her a nomination for best supporting actress—but a nationwide TV talk show host? Many of the stations that picked up her syndicated program were last in their markets with nothing to lose. Astoundingly, Oprah quickly passed Phil Donahue, the reigning talk show king, and soon had double his audience. Critics and experts were perplexed, and most reacted with left-handed compliments at best. *Time* magazine wrote, "Few people would have bet on Oprah Winfrey's swift rise to host of the most popular talk show on TV. In a field dominated by white males, she is a black female of ample bulk." A TV columnist referred to her as "a roundhouse, a full-course meal, big, brassy, loud." *The Wall Street Journal* was marginally kinder when it reported: "It's a relief to see a gab-monger with a fond but realistic assessment of her own cultural and religious roots." But it was *Newsday* who hit the nail on the head when a columnist wrote, "Oprah Winfrey is sharper than Donahue, wittier, more genuine, and far better attuned to her audience if not the world."[7]

Since that time Oprah has founded a successful production company, cofounded the cable television networks Oxygen and own, published two successful magazines, produced a musical version of *The Color Purple*, founded a website visited by 3 million people monthly, cowritten five books, developed a channel for satellite radio, and agreed to produce two new reality shows for ABC. To quote Bill O'Reilly, "I mean this is a woman that came from nothing to rise up to be the most powerful woman, I think, in the world … and she's done it on her own."[8]

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like *Judge Judy* is twofold: First, the personality or character of the magistrate is entertaining; second, the actions and reactions of the litigants are heart-rending, comical or just plain irritating. In any case, for societal good or ill, such programming makes for compelling television. A good court program is one part confrontational talk show ("Your Honor, he stole my pen." "*I did not.*" "He did, too, Your Honor." "*Did not.*"), one part game show (who wins the ruling?) and one part (a small one) introduction to the U.S. legal system. The overwhelming litigiousness of our society is mirrored in the court shows appearing on television as of the date of this writing: *The People's Court, Divorce Court, Judge Judy, Judge Jeanine Pirro, Swift Justice with Nancy Grace, Judge Karen's Court, Judge Alex, Judge Browne, Judge Mathis* and *Cristina's Court.*

The "reality" program craze, kicked off by *Survivor* in 2000, spawned daytime progeny in the form of "relationship" shows. Television has a proud legacy of relationship shows: *The Dating Game* (1965), its direct spinoff, *The Newlywed Game* (1966) and *Love Connection* (1984) all drew on our natural curiosity about the personal lives of others. In the twenty-first century, that has all changed. The relatively sweet, innocent relationship programs of the past that masqueraded as game shows have yielded to voyeuristic hook-up segments, focusing less on locating Mr. Right and more on finding Mr. Right Now.

Afternoons fill with talk because it is absolutely the cheapest programming, and the easiest format to change if ratings are low. Occasionally, a station will run a sitcom that failed in a higher-revenue time period or a sitcom that has outlived its usefulness and is being programmed purely for amortization purposes.

Early Fringe (4 to 7 P.M.)

This daypart's unusual name harkens back to the first 25 years of commercial television, when this time period immediately preceded prime time (which started an hour earlier than it does today). Therefore, the hours before prime time were said to be on the "fringe" of prime time and, thus, *early fringe*.

From the networks' perspectives, early fringe is a low-priority time period, so program time is returned to the local stations.[9] From 4 to 7 P.M. (4 to 6 P.M. central/mountain time), the networks rely on their affiliates to schedule local news or syndicated talk. Industry research has consistently demonstrated that the best lead-in program for a newscast is … more news! This is makes sense: Viewers who are predisposed toward watching any one newscast are interested in news and therefore more likely to watch an additional newscast than would a viewer who doesn't usually watch the news. The results of this research happily match the budgetary facts of life for news production: It's expensive to *start* a news operation but relatively economical to *expand* it. Over the last 15 to 20 years, newscasts have replaced expensive and unpredictable syndicated programs at 5 P.M. In the largest markets—New York, Los Angeles, Chicago and Philadelphia among them—some newscasts start as early as 4 P.M.

A station can generate more advertising revenue in early fringe than in prime time with a judicious combination of programs. HUT levels during early fringe, while not as high as those in prime time, nevertheless average two-thirds of prime viewing. Especially during winter months, viewing spikes upward once darkness falls. In this early fringe period, station programming strategies generally have either a news or an entertainment orientation. As the afternoon progresses and older children return home from school, followed by employed adults, the average age of the audience increases, and so does the appeal of the programs. This technique of matching program content to gradually aging demographics is called *aging an audience*, and most stations, whether news- or entertainment-oriented, follow this pattern in the daypart (as the networks do in prime time).

The most content-malleable of programs, newscasts vary their topics over the course of this daypart to go along with the audience. The earlier afternoon newscasts tend to be lighter on news, emphasizing feature stories and afternoon rush-hour reports that reflect the interests of the available audience. As the afternoon wears on into early evening and more paycheck-earners return home, the news becomes harder-edged, with more news content and less fluff.

News stations surround their newscasts with news-compatible programs. These programs might be female-oriented programs such as *Dr. Oz* or *Dr. Phil* or court shows like *Judge Judy* or *People's Court*. For years, Oprah Winfrey was a programming juggernaut. Oprah was the center of the syndicated talk world until her decampment from broadcast to her own "OWN" (Oprah Winfrey Network) in 2011 (see 8.9). Her program was scheduled to devastating effect in most markets at 4 P.M. to funnel viewers into the local newscast. *Oprah's* ratings frustrated competing stations' attempts to get ratings traction in the late afternoon. Only when a program with an equally strong personality came to the television screen was *Oprah* challenged.

Stations that decide not to compete head-to-head against the Big Three affiliates' newscasts usually opt to counterprogram—with comedy. While news attracts an audience that trends older, with higher-than-average incomes and education—by contrast, comedy audiences in early fringe are younger, but they are also less affluent and less well educated. One might find young-skewing sitcoms or talk shows appearing at 4 or 5 P.M. (*Tyra, Wendy Williams*), followed by slightly older or family sitcoms opposite the news programs (*Frasier, Everybody Loves Raymond, Friends, The Simpsons, King of Queens*), which in turn are followed by the strongest sitcoms on the station's schedule in access (*Seinfeld*).

Whether a station is programming from a network, syndicated or news/local source, it wants to retain as many of its viewers as possible through the sequencing of programs in its schedule. As explained in Chapter 1, this is called audience *flow*: The strategy of scheduling programs similar enough in appeal that current viewers will stay with the next program while new viewers tune in. As the audience composition changes during the day, the program lineup changes along with it. But as 8.10 discusses, the strategy of seeking flow has been eviserated by the growth of multiple programming providers and mobile devices.

Prime Access (7 to 8 P.M.)

In television's infancy, prime time started at 7 P.M. (6 P.M. central/mountain time). As the industry reached adolescence, most of television's participants—stations, advertisers, producers—believed that the networks exercised a stranglehold on both the access to the airwaves and the pricing of advertising and production. After years of lobbying pressure, in 1970 the FCC imposed the *Prime-Time Access Rule (PTAR)*. In essence, PTAR prohibited stations from running more than three hours of

8.10 Flowing Away

Surveys show that about three-quarters of computer users report watching at least one entire television program online, and about half watch shows that they never saw previously on television. Although men are usually thought to be more technology- and adaptation-friendly, research has shown that women equally report having watched "television" programs online or on a mobile device.[10]

Flow is not as critical a concept as it once was. Before cable brought multiple channels to the home screen and before ubiquitous remote control handsets made channel changing a push-button procedure, the viewer had to physically rise from the sofa to change the channel. The incentive to change the channel had to be greater than the inertia to remain on the sofa. Once a channel was selected, the viewer tended to stay with that station for the rest of the evening, and programming executives obsessed over the idea of program flow. Today, with hundreds of viewing options available and the ability to change channels as easily as pushing a button, viewers can surf channels at whim. In addition, DVRs make saving programs or stopping momentarily (without missing anything) easily possible, and mobile media make industry-created "schedules" a thing of the past. Flow is a fading programming strategy even for stations, and the objective of consumer retention now takes place in an infinitely more challenging universe.

network-originated entertainment programming per night during prime time. (Recall that the FCC cannot regulate networks; the FCC's writ extends only to the stations it licenses. Networks are not licensed and therefore cannot be regulated by the FCC. There is a backdoor, however; the FCC can regulate the *stations*—that is, the O&Os—that a network owns.)

The impulses behind PTAR were twofold, and while the first was idealistic, the second was as subtle as a blow to the head. The first impulse was to create opportunities for stations to produce their own local programs, given that their mandate from the FCC was to operate in the public interest. This opening gave stations access to prime time; hence the name of the new daypart: *prime access* or just *access*.

The second impulse behind the rule was to create a more level playing field between the following:

- The networks and their affiliates
- The networks and the advertising community
- The networks and the program production community

After initially celebrating their victory over their network partners, suddenly affiliates realized that they had to come up with one hour of programming each night. Not only was making programs a costly time- and labor-intensive proposition, but it turned out that the public as a whole wasn't interested in watching the second-rate programming that was produced.

Into the breach came the program producers, creating new programs for what formerly was prime time. The viewers were there, the advertisers were there, and the games and magazines appeared. A handful of first-run syndicated shows (*Wheel of Fortune, Jeopardy!, Entertainment Tonight, Extra, Access Hollywood, Inside Edition!*) have dominated the ratings in this time period for many years. The magazine shows are hybrid programs consisting of entertainment, show business and celebrity news wrapped in a newscast format. The upside is that, unlike sitcoms in syndication, which can be expensive and risky, magazine programs are plentiful, and the rough equivalence of supply to demand results in stable purchase prices. Plus, entertainment talk and celebrity news never seem to go out of style, which means steady ratings and predictable advertising purchases, an ideal scenario for a business characterized by novelty, fads and the fickleness of public tastes. As a result, new shows have a tough time breaking through. Demographics play a key role in selecting programs, especially for stations that cannot buy the top show but can counterprogram to a different advertising target (for example, men aged 18 to 49).

Prime Time (8 to 11 P.M.)

This marquee time period for the networks is discussed in detail in Chapter 2. Viewing levels are highest, industry prestige is highest and potential advertising revenue is highest during this daypart, and for Big Four affiliates, profit margins are higher than in other dayparts. Affiliates preempt these most visible of network-supplied dayparts carefully—only with cause.

There *is* local programming in prime time; it is news. FOX, CW and MNTV supply their affiliates with only two hours of programming nightly, not three as the older networks and Hispanic networks do. FOX, in particular, compels its affiliates to program local news immediately after two hours of prime time—at 10 P.M. eastern/Pacific, 9 P.M. central/mountain. This is not just a bold counterprogramming move (news against three entertainment choices): It allows FOX affiliates get a one-hour jump on the affiliates' late newscasts as well; many early risers cannot stay awake past 11 P.M. to watch news.

Many affiliates of the smaller networks, with only a two-hour supply of network prime-time programming, follow the path of FOX. News departments are a profit center for major broadcast stations, and the facilities and output of a big news department can be leased to a smaller station in the market that lacks the budget to produce its own newscast. Many MNTV and CW stations thus outsource their newscasts, airing news produced for them by larger stations (usually the local FOX, CBS or NBC affiliates). These newscasts are not time competitive for the Big Three affiliates but run at the earlier hour while these affiliates still carry network shows. All of the advantages of newscasts come together with an *early* late newscast.

- It counterprograms the broadcast and many cable networks.
- It gives the station a one-hour jump on the affiliates' local news.
- It gives access to broadcast-wary advertisers.
- It fulfills a station's public service requirements.
- It gives a high-ratings track record in the time period.
- It displays the station's identity in a high-visibility time period.

Another advantage, albeit more minor, that comes from the news franchise is the occasional practice of repeating the late-fringe newscast during the overnight hours. While it might at first seem that a news rerun is stale programming, there are viewers who did not watch the original telecast, and the "news-lite" content of much local news does not detract from its timeliness. Also, there is no programming cost for a repeat, unlike the cost (in dollars or advertising time) of an outsourced program from a syndicator.

Late Fringe (11 to 11:35 P.M.)

As dayparts are delineated to reflect the typical behavior of the "average" viewer, a new daypart comes into play at 11 P.M., as older viewers begin getting ready for bed and younger viewers eventually turn from the internet to television. Late fringe is another example of the interconnectedness of the network–affiliate relationship. The local affiliates of ABC, CBS and NBC rely on their networks to provide popular programs during prime time, thus generating a strong lead-in audience for local late news. Even though news viewing for any given station is acknowledged to be a form of habit, viewers do not always act like they are "supposed to." Local affiliate late-news ratings can spike up or head downward, depending on the network lead-in. HUT levels, however, start dropping precipitously around 11 P.M. (10 P.M. central). The Big Three networks, after three hours of prime programming, take a rest and throw the time period back to their affiliates, which invariably program their own local news.

With three hours of prime-time programming momentum as a lead-in, late fringe is a key ratings and revenue daypart for a Big Three affiliate. In the early days of television, late news was regarded as little more than an update of the early-fringe newscast, but in recent years, with the advent of the 24-hour news cycle and cost efficiencies in news production technology, late-news programs are regarded as separate programs and are important profit centers.

As a revenue-enhancement technique, affiliates of the Big Three networks stretch their newscasts to 35 minutes in late fringe, creating another commercial break. Going to all that trouble to add just one more commercial break might not seem like a dramatic addition, but over the course of one year, the arithmetic compounds into large multiples. If four commercials are placed in that extra pod five days a the week, 52 weeks a year, that translates into 1,040 extra commercials in a year. If a large-market station charges only $2,000 for a commercial, adding just one more break means $2,080,000 gross dollars in a year—with virtually no additional costs to generate that revenue! An intelligent media executive can turn a minor scheduling change into a financial "force multiplier."

Not everyone wants to watch the coverage of human debasement that much of local news consists of immediately before going to sleep, and some viewers already watched an earlier newscast. These viewers are likely customers for the many kinds of entertainment programs. Stations not airing news have a wide choice of syndicated programs to offer viewers uninterested in news and information just before going to sleep. Late fringe is a strong time period for stations without a network feed; strange as it seems, the strongest ones often outperform local affiliate news. FOX-owned stations during the last few years have adopted the strategy of acquiring top-performing (and expensive) off-network sitcoms as a counterpunch to what they see as the uniformity of local news product. *The Office* and *Seinfeld* work well here. Even stations with smaller program budgets can select from a wide range of first-run barter programs with appeal to some part of the demographic spectrum.

With the rise in the popularity of talk shows, another effective programming move has been to schedule a second, repeat telecast in late night for viewers unable to watch the original telecast during the day. *Oprah*, for example, used to be rerun late at night in several large markets, including New York, Los Angeles, Chicago and Philadelphia. Smaller stations also rerun daytime content, soaps, games and sitcoms—or turn to older movies.

For the programming executive, one advantage of late fringe over early fringe is that late fringe reaches an elusive quarry—men (particularly young men) aged 18 to 49 or 25 to 54. Men watch less television overall than women or children—calculated either by hours spent watching or variety of programs viewed. Young men, in particular, are more likely to watch narrow categories of broadcast programs: sports, some action-oriented movies and action-oriented reality programs. In late fringe, however, men are available, and in addition to sports they do watch comedies and risqué, first-run late-night programs, making these shows ideal for stations that choose to go after young men in that time period.

Late Night (11:35 P.M. to 2 A.M.)

Affiliates of CBS and NBC virtually always clear their network's programming during this daypart—*The Tonight Show with Jay Leno*, followed by *Late Night with Jimmy Fallon;* and *The Late Show with David Letterman*, followed by *The Late Late Show with Craig Ferguson*. Counterprogramming with more serious fare, ABC covers the newsbeat with *Nightline*, followed by the entertainment of *Jimmy Kimmel Live*. The overwhelming majority of Big Three affiliates are content because these programs attract larger audiences than they could lure with first-run or off-network syndicated programs. Moreover, the program content is not as restricted as it is in prime time because there is no measureable children's audience at such a late hour.

For the competing stations, late night is an ideal time period to experiment with offbeat syndication ideas. HUT levels are relatively low, so a failed idea will not hurt much financially, and an unexpected hit can generate a long-term occupant of a late-night time period. Expectations are not very high; there are disproportionately more men available, and if a program is a hit, it can make money in the daypart and perhaps even be moved to a daypart that generates higher revenues.

Overnight (2 to 6 A.M.)

Networks do not program first-run entertainment overnight because HUT levels are way too low to justify the costs of daily production and distribution. Thus, overnight becomes an arena for repeated telecasts of syndicated programs and repeated newscasts as well as a sanctuary for failed programs or old movies to fill the long predawn hours.

Although HUT levels are at their nadir (about 10 percent) and the time period is a low priority, stations wisely do not completely ignore these hours for three reasons. First, in the 24-hour world, *some* viewers are always available at all times, and advertisers can still be found to buy commercial time, even if at very low rates. (Commercial spots run in very cheap time periods are rather affectionately called "a-dollar-a-holler.") Even if an overnight commercial costs as little as 20 dollars, a small news station may air two dozen of them per hour or 100 per overnight period. Multiply $20 by 100 commercials a night, seven nights a week, 52 weeks a year, and the result is a not inconsiderable $728,000 per year. *Every time period counts, and every dollar counts.*

A second important reason for not ignoring overnight is more tactical. If the station signs off the air, the local cable company might use the now-empty channel space to carry a service with content that might alienate the broadcaster's regular viewers when they turn the television on the next day. The content could be as mild as a home-shopping channel or as spicy as an adult movie service. Suffice to say that the station wants to keep control over all programming coming from "its" cable position.

Third, if a station signs off, the few viewers who were still watching at that hour will turn away to another channel. When they turn the set on again, it will be on a different channel. Why invite customers to sample a competitor? There is enough free or cheap programming, combined with old movies, to fill up the overnight schedule. All else failing, another format ideally suited for late night is that of the infamous program category known as infomercials.

Between midnight and daybreak, little locally produced news exists. The syndicated *Poker After Dark* is as popular in the middle of the night as anything could be. If stations want news overnight, they either clear the overnight services offered by ABC (*World News Now*) or CBS (*Up to the Minute*) or go into the syndication marketplace to broadcast, for example, CNN's broadcast service or specialized newscasts offered by other program vendors. Financial newscasts are becoming increasingly popular, given the universal viewer interest in the subject of money and the advertiser attraction that upscale viewers represent.

Weekend Programming

On Saturdays and Sundays, networks readjust their programming away from their heavy viewers (women) to attract the demographic that watches most of its television during the weekend: men. Predictably, sports programming dominates the screen on weekends, especially on affiliates of ABC, CBS, FOX, NBC, TeleFutura, Telemundo and Univision. Advertisers are willing to pay a premium rate to attract men, who watch little in prime time but account disproportionately for expenditures on big-ticket items (automobiles, financial services, sporting equipment) and specialty purchases (alcohol, men's personal care). Even with relatively low HUT levels, affiliates find their adjacencies in top network sports events enormously valuable. If a station's network is not providing sports programming, odds are that the affiliate is counterprogramming with female-oriented movies or similar syndicated fare, although a few stations go after teens with weekly syndicated dating programs.

Station Promotion

A station's two constituencies, viewers and advertisers, need to be continually reminded of the existence of specific station programs. While the promotion manager is ultimately responsible for *promoting, advertising* and *publicizing* the schedule, the programmer's intimate knowledge of program audiences and viewing behavior may be invaluable for designing on-air promotional announcements.

On-Air Promotion of Programs

Among all the mass media available for publicizing a lineup, the station's own air time is the most effective for reach- and cost-efficiency. The station's loyal viewers can easily be located in the market—they are already watching the channel! The station can then redeploy its unsold advertising time by scheduling on-air promos. To ward off the sales manager's pressure to preempt important promos to place last-minute commercial buys, stations will often reserve a position for a promo, called a *fixed spot*. Very generally speaking, these fixed spots are the equivalent of a 30-second spot in each network hour or a 30-second spot in each half hour of syndicated programs. A promo might be dedicated to one program or to two or more programs. The latter is called a *combination spot*, or combo spot. With sales pressure always on, stations favor combo spots for two reasons: It is more efficient to promote as many programs as possible in one space (or amount of time), and using combo spots increases the chances of program flow.

The trend in the last several years has been toward fewer on-air promos. Since many former independents have aligned with the newer networks, much of their promotion comes from their networks in prepackaged spots. Also, consolidation has compelled corporate owners to eschew the long-term strategy of brand-building in favor of running more commercials (and thus fewer promos) to meet short-term financial targets. Having said that, the fundamental principles apply. The most practical way to design an on-air promotion strategy is to remember that "like goes to like." *In other words,* *similar programs or programs with similar audiences should be promoted toward each other*. The trade name for this technique is cross-promotion. *The station sets its priorities for on-air promotion according to two criteria: the potential profitability of the program and the importance of the program to the station's overall branding strategy*.

One category of programs generally fits both criteria: local news. Local news is one of the station's most significant profit centers, and because it is produced at the station, this program genre totally customizable in content, audience appeal and commercial format. Moreover, news programs remind viewers of other news programs; therefore it makes sense for the 7 A.M. network news to contain a promo for the 12 noon news. The noon news likely will promote the next news program at 5 P.M. The early-fringe newscast will promote the next newscast, and during prime time, there will likely be several reminders to "stay tuned for the late news."

There are two general kinds of promos: topical and image. For newscasts, a *topical spot* is a promo about a specific story: the update on the day's biggest trial, or a live shot of a traffic accident accompanied by a promise of coverage of the wreckers hauling away the vehicles during the next newscast. A topical promo is timely and story-specific. By contrast, an *image spot* for news should create a general impression of the news product's overall identity in viewers' minds. Typical image spots might be fast-paced scenes of anchors in motion who are interviewing people out in the field, prodding unseen faces over the telephone to make dramatic revelations, then racing to the news set with their hot stories just in time for the beginning of the program. (Irrespective of whether this is what they actually do, such promos are designed to create positive images of experienced, professional journalists.)

Topicals and image spots are also the norm for non-news program promotion. After the news promos are scheduled, the remaining promo time is allocated according to station needs. Most often, the lion's share of promos belongs to the programs that produce the highest revenues, for example, those programs during early fringe and access. Lastly, those programs "on next" usually get a promo—a vestige of the time when the forces of program flow were stronger than they are today.

Promotion in Other Media

Outside media—radio, newspapers, billboards—traditionally occupied a large proportion of the television station's advertising efforts. Over the last several years, however, the downstream effects of deregulation have created many unintended (and unforeseen!) consequences, largely as a by-product of concentrated media ownership. Today, when companies can own up to eight radio stations in a market, radio ad rates are too aggressive (meaning very high) for television stations to afford the same kind of saturation radio campaigns seen just a few short years ago.

Cable, too, is starting to price itself out of the broadcast advertising market, particularly in those markets with a heavy concentration of ownership or an aggressive *interconnect* (electronic connection among a consortium of separately owned but geographically contiguous cable companies). Although the price per commercial seems beguilingly low on many channels, the number of viewers per cable program is so small that it drives the cost-per-viewer price inefficiently upward. *In short, television is a victim of its own attractiveness as an advertising vehicle. Compared with other media, television remains the most cost-efficient buy for both reach and frequency, but that efficiency is declining*.

One solution for most stations has been to develop enticing internet sites that both supply extended content for viewers who want more news and program information, and promote the station's news, programming and overall image. *The downside of internet promotion is that only viewers who make the effort to go to the site are exposed to the promotion, and network sites tend to be bigger lures than local station sites—except in the area of local weather and local events*. Thus most web programmers place sidebars that promote entertainment alongside key news items—to draw the user's attention to additional content that is above and beyond what drove the person to the site.

What Lies Ahead for Stations

Predicting the future of the local television station business has been difficult for the last decade. On one hand, the technology is moving away from program-source scarcity to program-source abundance. On the other, parent media corporations continue to derive predictable—if not outright superior—returns from their affiliates.

Digital Technology

The number-one threat to over-the-air broadcasters (as well as advertising-supported subscription television) comes from technology that frees the viewer from the addiction of passive viewing: DVRs, tablets, smart phones and video-on-demand. Although these technologies have done little harm to broadcast revenues so far, their household penetration is climbing swiftly. Losing control of viewers spells the eventual end of commercial breaks as they presently exist because DVRs allow viewers to “skip over” breaks entirely.

The remarkable thing is that digital television and DVR use is not diffusing slowly the way new media technologies have in the past—instead, in a period of less than three years, digital totally supplanted analog television. The newest generation of converters allows for storing lots of recorded programs in memory and represents a marriage between the computer and the television set, a plus for cable and satellite viewers *but* <u>not</u> *for broadcast stations.*

On the other hand, the predominant motivation to watch television is to relax. Given their history with new technologies, it is clear that much of the American audience is unwilling to read any instructions, learn any sequences or steps, or wait for their TV set’s operating system to boot up. The safe money says that new media innovations should bend over backward to accommodate loyal viewers in such a way that they won’t need to know about bandwidths or protocols—so they can swim in the digital stream without understanding it. All of this is predicated on the effective design of very smart converters and their remote controls, of course, and because there are so many ifs, broadcasters must watch and worry.

Competing Newscasts

It is an axiom of the business that news will continue to be a mainstay of television programming into the indefinite future. Television’s eternal appeal is that it is a “live” medium. No other medium has the immediacy of television. Increasingly sophisticated and miniaturized technologies give stations a level of production quality and time-responsiveness that were unimaginable only a few short years ago.

The main challenge will be competition, not just at the local level—where competitors are expanding and upgrading their news product—but also from competing industries jumping into the news business. One of the viewer benefits arising (albeit indirectly) out of the massive consolidations in cable ownership in the 1990s is that many cable franchises in large markets now offer around-the-clock *local* news channels of their own (such as News 12 Long Island and many others; see Chapter 9). To varying degrees, these local news channels are like mini-CNNs. They represent a serious threat to the dominance of broadcasting as a local medium. Their lack of network commitments means they can cover ongoing local stories as they unfold during the day, whereas broadcasters usually are forced to wait until their regularly scheduled newscasts.

Moreover and maybe worse, local cable news shows can undercut the relatively high advertising rates of broadcast newscasts by offering more commercial availabilities, lower spot rates and more flexible packaging opportunities to local advertisers. What is particularly grating to affiliates is that some of these national and local news outlets are owned by their own network partners! (For example, News Corp. owns Fox News Channel as well as the FOX Broadcasting Network; Time Warner owns CNN as well as New York 1 News.)

Other emerging competitors are the internet and mobile media. Use of the internet for news programming offers the ultimate of both extremes: global instantaneous distribution and individualized news products for the consumer. At present, the web’s news capability rests largely in distributing news that was originally generated for television or print and then was adapted for the internet, accompanied by mountains of professional and amateur blogging. It was thought that true news competition would wait until computers were as easy to use and as plentiful as television sets, but then Wi-Fi proliferated, making computers mobile. People began accessing news from practically anywhere they could open a portable computer. Next, cellphones, personal assistants (Blackberrys) and music players added video to their equipment, meaning internet access could be truly anywhere, anytime, if a bit reduced in size.

At this writing, the major media companies are extending themselves into all these new media, using their branding power to stake claims to content areas in an attempt to follow the audience wherever it goes. Although internet-generated news products are not yet profit centers for their participants, the ultimate profits and marketing advantages of these new media are too potentially enormous to be ignored, and that leaves broadcasters nervous.

Channel Migration

As of February 19, 2009, all analog television transmission stopped, and television stations began sending digital signals. The largest stations (and networks) broadcast now in high definition—which uses the entire allotted bandwidth—but many stations have chosen standard definition with the option of multiplexing additional signals. So far, the options for paid use of that extra bandwidth are scarce, but it was expected to be the savior: to become a revenue stream that would cover the enormous cost of digitalizing station facilities. But the FCC will eventually require some number of hours of HDTV (rather sooner than later) and is likely to limit reselling or reusing channel bandwidth. Because of pressure from other users of the airwaves, the FCC may also reclaim bandwidth resources from stations long before many are ready to give them up.

The Mutation of Broadcasting

Although broadcasting has traditionally been a free service, the American consumer is increasingly becoming accustomed to paying for media. Smaller companies owning stations in markets with network-owned stations but not producing programs themselves face heavy leverage and consequent pressure to sell to the larger companies. The traditional local orientation of broadcasting has begun to flicker, to be rekindled by industries that have economies of scale on their sides: cable and the internet. These competitors now provide not only local service but also increasingly customized entertainment and news content to individual consumers.

Broadcasting of some sort will stay around because it is universal and free, which is in the nation's best interest, but the number of stations per market is likely to fall drastically in another decade or so. For the immediate future, however, local broadcasting will remain a highly profitable business, although its owners are likely to squeeze every dollar of profit they can from it now.

Nonetheless, the maturation of the television industry means that the original business model of distant networks and local affiliates is disintegrating. Competition from newer media means that free television has to resign itself to no longer being the biggest and gaudiest float in the television parade. Video entertainment has become global, instantaneous and customizable in a way unimaginable just one generation ago. Local stations were once the sole gatekeepers, and now they survive by fitting themselves into those niches in which they can be competitive.

Despite the fears of media Cassandras who prognosticate the end of broadcasting, however, history tells us otherwise: Television did not kill off the movie industry, FM radio did not eliminate AM, cable did not eliminate local broadcast, and satellite-delivered television did not defeat cable. Instead, each industry had to adapt itself to the new challenge. Like many businesses, broadcasting is organic: It expands, contracts, mutates into different forms. Unlike many businesses, broadcasting is a fascinating mix of technology, creativity and commerce. The cumulative impacts of computers, digital technology and regulatory changes will be strong but not fatal.

Notes

1. This disproportionate amount of discussion of FOX's raid indicates the level of root-and-branch disruption that FOX caused in the relatively calm of an oligopoly network landscape. It was as if a starter's gun had fired, and all networks and affiliates scrambled for new partners. Murdoch's audacity created turbulence, which distracted his competitors, thus leveling the playing field for him. The raid gave FOX a chance to be sampled by new viewers and, not incidentally, to deeply wound a major competitor. If there was any doubt about Murdoch's intentions when he started his network in the 1980s, it was now clear that the game was being played for keeps. And he did it again after CBS and Time Warner closed UPN and the WB and cozied up to form the CW. FOX's left-out stations got their own competing network, MNTV.

2. NSI, 2/14-2/20/11, as cited in TV News Check (*tvnewscheck.com*).

3. For an unsurpassed anthology of hilarious, believe-it-or-not stories of television during its first decades, read *The Box: An Oral History of Television 1920–1960* by Jeff Kisseloff (Viking Press, 1995). The book is currently out of print, so try a library.

4. Murrow (1908 to 1965) was one of the earliest broadcast journalists to achieve professional notoriety and, later, celebrity. Murrow joined the CBS Radio Network in 1935 and was sent to Europe in 1937. He is most remembered for his on-scene reporting of harrowing Nazi Luftwaffe bombing raids in London during World War II. Morrow moved to television after the war. His onscreen news career notched highs (with his award-winning documentary series *See It Now*) and lows (he hosted *Person to Person*, an early personality-interview program, during which Murrow often looked physically stricken to be interviewing celebrities rather than newsmakers).

5. *Federal Communications Commission, Information Needs of Communities: The Changing Media Landscape in a Broadband Age, 2011.*

6. Information from *2011 Ownership Survey and Trend Report*, as cited in TV News Check, June 6, 2011.

7. In their affiliate incarnations, however, stations are somewhat hamstrung because they are legally committed to air the programs their networks distribute and must work around those. Moreover, when stations are located in more socially traditional parts of the country, and a network program is "too cool for the room" (that is, has content inappropriate for the audience), the stations still must clear it—in the absence of an overwhelmingly compelling reason that justifies preemption (and the outlay for a substitute show).

8. See *http://en.wikipedia.org/wiki/OprahWinfrey*, p. 2, for these quotes.

9. Early fringe is outside prime time, so the networks technically could fill it like the other parts of daytime, but good luck getting this profitable time back from the stations!

10. *http://mediamatters.org/items/200610240003*, 17 October 2006.

CHAPTER

9

Basic and Premium Subscription Programming

Susan Tyler Eastman and Douglas A. Ferguson

Chapter Outline

Cable content networks are popping up everywhere. Once exclusive to cable systems, cable networks are now carried not just by satellite and telephone companies, but also appear online. You can watch MTV on your tablet, if you spring for the app. Many companies that own cable program networks first operated local cable systems in the United States but moved into content ownership as the cable installation business matured. Now the owners of content networks sell the carriage rights to competitors. Why would they do that? The answers are *channel proliferation, government regulation* and *need for revenue*.

Competing Content Networks

Subscription content networks is an overall term that encompasses all kinds of television program services requiring fees to subscribe and distinguishes them from the media distribution services (MVPDs). The subscription networks traditionally provide programs organized in 24-hour channels that come by satellite to the MVPDs who in turn put them onto their wires or beam them out wirelessly. Those structured networks are usually accompanied by access to unstructured on-demand programming. The MVPDs pay monthly fees to include specific subscription networks on their services and charge their subscribers enough to cover those fees (see Chapter 3). The subsets of *basic cable networks* and *premium cable networks* refer to those with and without advertising, respectively (although a very few "basic" networks don't have ads), plus premium networks usually require extra subscription fees.

Commonly called *cable networks* to distinguish them from *broadcast networks* (a distinction largely irrelevant to viewers but crucial to owners), a huge-seeming variety of subscription networks appear on the two satellite services, on the various teleco services, and online sites carrying web series and movies, as well as in very different arrangements and selections on the hundreds of U.S. cable systems. Many also appear in some variation on distribution systems in other countries. Of course, the 8 percent of U.S. households still receiving only over-the-air signals (if without internet access) cannot see any subscription networks—only local broadcast stations.

Some companies that provide nationwide subscription programming have adopted the word *network* in their names, trumpeting that they possess the primary characteristics of a big network and likening themselves to the long-familiar broadcast networks. Being a network lends prestige while invoking images of great size and the likelihood of subsidiary services. Others use the word *channel*. Such program services are saying that they occupy a full channel on television sets (no sharing) and that they are centralized; that they distribute simultaneous programming, carry advertisements and sell adjacencies (if advertiser-supported), and that they are retransmitted to homes via MVPD services. Whatever a content service is called and however it is delivered, all are generically *subscription* (or *cable*) *content networks*.

Totaling maybe 100 in the 1990s, the number of distinct subscription networks had expanded to more than 200 (or perhaps 300) by first decade of the 2000s. Enumerating networks, however, depends on what you include and exclude (see 9.1). *One problem is differentiating between parent companies, networks and channels*. NBCUniversal (itself owned by MVPD Comcast) owns the NBC broadcast network as well as Telemundo, and they both appear on cable systems, but NBC appears via a local affiliated station and so may Telemundo (and thus their carriage as stations is legally required), but in markets with no local Telemundo affiliate, the network can appear as a cable channel. (Generally, broadcasters avoid the term "cable networks" because they come under different FCC rules than those applying to broadcast networks). But that's not the whole picture: NBCUniversal owns all or part of several subscription channels, including USA Network (which is solely a cable network), Bravo, Syfy, Chiller, Oxygen and Sleuth, while parent Comcast also owns E!: Entertainment and FEARNet. Comcast systems may also carry a dedicated "Comcast Channel" that promotes the network itself. In addition, NBCUniversal also owns Universal HD, a hi-def only channel. The industry counts all these channels separately for purposes of Nielsen ratings. But then there are other kinds of *channel multiplication*.

The Proliferating Nonbroadcast World

Technical advances make possible both *duplication* and *splintering* of various kinds. First, fiber technology has such great capacity that it readily permits simultaneous distribution of the same channel three ways: *analog, digital* and *HD*, so all established broadcast and cable networks were duplicated in three formats until recently. Even digital-only cable networks can exist in both standard digital and HD. And 3D is coming, necessitating another feed of each network, although analog will soon drop away completely. Are TNT and TNT HD one or two networks? Technically, they take up two bandwidth channels.

Second, fiber's immense capacity has led established networks to create or buy up *digital niche channels* to see what attracts audiences. A&E Television Networks, for example, owns the classic Bio (formerly Biography) and History channels, but acquired or invented the digital Crime & Investigation Network, History en Espanol and Military History Channel. Many digital niche channels, such as Jewelry TV, Cooking Channel and Military History Channel, do not yet exist in HD, so some have two versions and others just one.

Third, digital fiber can easily carry multiplexed signals, so several digital networks split their programming into separate virtual channels—each carrying a rotating sliver of programming such as thematically chosen movies—called *splinter channels*. Did you know there are 17 versions of Showtime? Not only are there separate channels for Showtime, Showtime 2, Showtime Showcase, Showtime Beyond, Showtime Extreme, Showtime Family Zone, Showtime Next and Showtime Women, but each comes in East and West (time zone feeds). Plus there is Showtime On Demand. And all or some feeds can be available on a single MVPD (FiOS carries all 17). Do 17 channels comprise just a single premium network—or should they be counted as 17 separate ones? The industry usually counts Showtime as one, because it doesn't care: there's no advertising. Nonmovie channels also split into multiple content channels targeting different audiences: National Geographic Channel also comes with National Geographic Wild, but they are usually counted as two.

Fourth, there are East and West *time zone feeds* for the premium networks, and on some MVPDs subscribers can watch either feed, such as Starz Edge and Starz Edge West or HBO Signature or HBO Signature West. In Washington, D.C., politicians like to be able to see what is being fed in their home towns so all feeds appear there.

Fifth, there are *foreign language feeds* of American channels for citizens who want their U.S. television in another language (as distinct from all the imported foreign-language networks from other countries). CNN comes in Spanish, as does Fox Sports, Discovery, Playboy, Toon Disney and others. Some foreign language feeds consist of audio overlays and subtitles; others are separate splinter channels.

And finally, some smaller *broadcast networks duplicate themselves* as cable channels, even though one of their broadcast affiliates may also appear as a station filling a channel on the same MVPD. Ion Television does this, presumably to increase national viewing of its infomercials.

Subscribers by Channel

At least 200 subscription television networks exist, and of those, nearly half reach a minimum of 50 million U.S. homes, making those the ones on which most advertisers will pay to place commercial spots. The top 30 of those networks, such as TBS, ESPN, USA, The Food Network, The Weather Channel, Discovery, Nickelodeon and the others listed in 9.1, have become household words because they appear on virtually every cable system in the United States and on both satellite and the main telco systems. Each of the top 30 has more than 100 million U.S. subscribers, and many are closing in on 200 million worldwide. *Since there are only about 116 million TV households in America and of those, 107 million (92 percent) subscribe to* *some kind of multichannel system, reaching 100 million is not far from reaching nearly everybody.* Moreover, the numbers in 9.1 are for both cable and satellite but do not include telco subscribers or other small services (see 9.2).

9.1 Top 30 Cable Programming Networks, 2012 (cable and satellite only)

Services	Subscribers
TBS	105,400,000
ESPN/ESPN HD	104,400,000
USA	104,400,000
Food Network	104,200,000
HGTV	103,900,000
ESPN2	103,800,000
Weather Channel	103,900,000
TLC	103,800,000
CNN	103,800,000
Discovery Channel	103,700,000
Nickelodeon/Nick	103,600,000
FOX News	103,600,000
TNT	103,600,000
Spike TV	103,600,000
MTV	103,400,000
VH1	102,800,000
Lifetime Television	102,700,000
Disney Channel	102,700,000
TV Land	102,600,000
A&E	102,300,000
CSPAN	102,100,000
E! Entertainment	101,900,000
FX Network	101,800,000
Syfy	101,500,000
Comedy Central	101,400,000
Cartoon Network	101,200,000
History	101,100,000
CNBC	100,900,000
ABC Family Channel	100,900,000
Travel Channel	100,200,000*

*Animal Plant, AMC and MSNBC are close behind with 99 million and 98 million subs.

2012 Estimates from SLN Kagan, 2011, and Nielsen Media Research, Inc., 2011.

9.2 Multichannel Reach

The cable industry no longer publishes the precise percentages of viewers who receive the cable networks over *alternate delivery systems (ADS)*, perhaps because terrestrial competitors to cable are growing while cable system penetration has halted expansion. Other published sources, such as the FCC, tend to be somewhat out of date. As a consequence, the most accurate subscriber information (as in 9.1) comes from Nielsen ratings and combines cable and satellite but omits AT&T and Verizon, other smaller competitors and online subscribers.

As was pointed out in Chapter 3, overall cable penetration of the U.S. TV households has stayed almost stable for a decade at nearly two-thirds (close to 66 percent) of multichannel households: that's 70 million households subscribing to cable. Penetration from services such as DirecTV and DISH has levelled at about 30 percent of multichannel homes (another 32 million subscribers), and AT&T and Verizon currently account for about 5 percent more (another 5+ million subscribers).

Foundation and Niche Subscription Services

National subscription networks can be differentiated in terms of how established they are and whom they target. *Foundation networks*—generally the earliest, most firmly established, and most popular entries in the field—reach about a 100 million U.S. subscriber homes each via cable/satco/telco or other MVPDs. The very largest (TBS, the Weather Channel, Discovery, Nickelodeon, CNN and ESPN) are in hundreds of millions homes worldwide. *About 25 subscription channels are considered the foundation networks.*

The second broad group consists of the *niche* or *theme networks*. Some of major networks began life as theme networks and grew into channels that serve more than a niche. Comedy Central is an example of a theme network that became a foundation network. When a cable network gets into that Top 25 list year after year, it is firmly established. If a new cable, satellite or telephone system wants to offer potential subscribers at least one of every kind of channel, it will begin by seeking to license all the foundation networks.

True *niche networks* usually either have a *single program content type* (all music, all shopping, all travel) or target a *defined demographic group* (just children, just Spanish speakers—groups numbering in the tens of millions) using a mix of program types. SOAPnet, Golf Channel, VERSUS, SPEED, Sundance Channel, the Travel Channel and BET are niche networks.

Currently, the hot type of niche network is the *branded subniche network*, which is the product of further *specialization within a theme network* by a well-known media company. Investigation Discovery is a clear example. Subniche channels are managed as a group and owned by one parent company or network. Most notably, Discovery Communications, which operates the Discovery Channel (foundation) and TLC (formerly The Learning Channel) launched several branded subniche services (Discovery Health, Discovery Science, Discovery Kids, Discovery Times, Discovery Home, Discovery Wings and so on), all using the Discovery name. Other networks, such as A&E and Nickelodeon followed Discovery's lead, developing additional channels. To Lifetime, A&E added Lifetime Real Women; to the classic Nickelodeon, the company added Nick Jr., Nick 2, Nicktoons and TeenNick. (Once sufficiently established, instead of more splintering, Discovery changed several channel names to broaden or clarify content: Wings became The Military Channel; Kids became The Hub for teens, Science lost the word Discovery in its name, Health became Fit & Health and so on.)

Subniche services are made possible by cheaper satellite time resulting from digital compression. As outlined in Chapter 3, digital compression encourages a process called *multiplexing*, distributing several different channels simultaneously, usually 12 digital channels squeezed onto the bandwidth formerly used by one old analog channel. In some cases, the "new" services run the same programs as the main network; they are merely scheduled at different times. In other cases, programs are subdivided by target audience, and each channel focuses on one target audience. The *splintering phenomenon* occurs particularly in premium services: HBO now provides programming for nine subniche channels: HBO2, HBO Signature, HBO Family, HBO Comedy, HBO Zone, HBO Latino, HBO on Demand, HBO Home Satellite and HBO HDTV. In addition to the 17 Showtimes and 9 HBOs, there are 14 different Encores.

As the spread of newer technologies permits greater proliferation of channels, the strategy of channel *spinoffs* (into subniches) is becoming more commonplace. For example, in addition to FX, Fox spun off a new branded business news channel called Fox News Channel (digital and HD) and a movie spinoff, Fox Movie Channel. Even more widely known are its multiple sports channels (Fox College Atlantic/Central/Pacific, Fox Soccer Channel and FSN Prime Ticket).

Microniche networks target even more specialized population subgroups, including the hearing-impaired viewers and foreign-language speakers. Some of these have the same content as another channel but include sign language and subtitles or are in another language. Others have a lot of original programming. While Spanish-language itself is hardly a subniche these days, channels appealing to viewers with a Latino, or Columbian or Mexican or Caribbean orientation constitute microniches. For example, Sur Mexico, Sur Peru, ESPN Deportes, Canal Sur, Bandamaz and others appear on U.S. cable systems. In Chicago and Detroit, channels in other language groups such as Polish or Armenian require microniche channels. Satellites and cable carry the Filipino Channel and AZN (targeting Asians). Then there's Kung Fu HD, MOJO, Rave HD, Rush HD, Treasure HD, and Water Channel. All this is probably more than you wanted to know!

Some microniches provide programming that is a further differentiation of a niche service (women's sports, independent films) and thus are both narrow in content and targeted in audience. As streaming video opportunities expanded via broadband internet connections (see Chapter 4), a few of these microniche channels (in particular, TRIO and Lime) shuttered their cable/satellite channels and moved onto the web.

Virtually all basic subscription networks carry advertising; the smaller ones carry as much as they can get. A very few services, notably C-SPAN, C-SPAN 2 and C-SPAN 3, are basic cable networks but without advertising. Because their content consists largely of government meetings, hearings and discussion shows on which elected and appointed government officials appear, they are offered as a noncommercial public service on the lowest level of subscription services (in hopes of forestalling government regulation of commercial programming). The C-SPAN group is owned by the parent companies of several large cable networks, but also carried by the satcos and telcos.

Types of Premium Subscription Services

Premium services is an umbrella term for a group of specialized entertainment services that provide special or "premium" programming to about 70 million U.S. cable, satellite or telco subscribers who pay additional fees above the basic MVPD service cost. Premium services primarily offer unedited movies and original productions in a commercial-free format.

Premium movie and sports channels number about 15, not counting their splinter services. The five with the largest number of subscribers are HBO, Encore, Showtime, Starz!, Max (Cinemax) and The Movie Channel. Another five, HDNet, Flix, Epix, Turner Classic Movies and The Sundance Channel, also reach large audiences. Still others are mostly on-demand channels or in limited distribution. Then there's Netflix, described in detail in Chapter 4, which is certainly a direct competitor to all pay television channels.

Details on the number of premium subscribers are generally not available, largely because the absolute number of pay subscribers also began declining in the early 2000s (so the companies keep the totals secret). We do know that the total number of subscriptions to the collective top five had reached 70 million by 2008 and has stayed largely flat since. Of those, HBO has about 30 million. Its problem is that competitor Netflix had about 23 million subscribers as of 2011, but its subscribership was continuing to grow. (At any rate, not even HBO has the penetration of any of the top 25 basic cable networks who reach around a 100 million subscribers each.)

The premium television field has long had three distinct components:

1. **Pay-cable networks**, which charge viewers a monthly subscription "premium" (traditional pay)
2. **Pay-per-view (PPV) services**, which charge on a program-by-program basis
3. **Video-on-demand (VOD) services**, which usually charge per-program-viewed, similar to PPV, and are available in several subvarieties or formats, but that offer more viewer control and often DVR-like functionality

The key difference to consumers is that classic premium cable means buying a *group of movies* over a month (*pay-per-month*), whereas PPV and VOD mean purchasing *just one program* at a time (*pay-per-use*). One difference is that PPV normally consists of movies while VOD includes a huge body of television programs of all kinds.

This chapter differentiates the services by payment method (by month or by use), but at the time of this writing, the distinctions among them are becoming very fluid. Many premium services of the pay-per-month variety are being relabeled *subscription-video-on-demand (SVOD)*, and many pay-per-view services have switched to VOD as systems digitized.

Video-On-Demand

PPV was once thought to be the "killer application" of cable, but the industry had turned to video-on-demand in the early 2000s, and VOD households have grown along with digitalization. Just to confuse us all, the video-on-demand name is currently applied to four somewhat different formats:

1. **VOD**, the true digital kind, which delivers movies or programs as the consumer asks for them, for a per-program fee
2. **FVOD (Free-VOD)**, where some content is available without charge to entice subscribers to become more comfortable with the idea of on-demand programming

3. **SVOD (Subscription-VOD)**, where a separate monthly fee is charged (for example, Showtime on Demand and HBO on Demand) but the movies come as requested over the month
4. **Download-to-own**, an internet venue that relies on broadband connections but offers the same programming as basic and premium cable channels

One important limitation to on-demand is that neither all movies nor all TV programs are available. The movie studios and television program distributors hold back many shows, requiring each MVPD to negotiate a selection of programs for its VOD service. If a show originally had advertising in it, those ads transfer to VOD, expanding the reach of those messages. While shows from all four networks may appear on the largest on-demand services, only some of their programs are included. For three reasons, major MVPDs constantly seek to expand and update their television and movie listings. First, an attractive on-demand lineup forestalls DVR use, and second, carrying the current hits keeps viewers from turning to competing online streaming services. A third reason is that MVPDs are able to insert different commercials into television program breaks. This is a valuable source of revenue because the ads can be targeted to specific groups of subscribers. One programming problem is that many network executives fear that feeding strong product to VOD will cannibalize their main networks and give them little in return. At the same time, MVPDs press hard to persuade networks to move hit series to their VOD menus, thus competing with Netflix for the valuable replays.

Systems that charge for VOD find subscriber resistance to paying twice for the same program. Digital and HD subscribers already pay for all channels in their monthly bills. For example, the cable operator charges about $.50 per month for MTV (hidden in the total bill), which includes *The Real World*, so why would viewers want to pay again for that show on VOD?

Convenience, however, is the real selling factor because on-demand comes whenever the subscriber wants it. Free VOD has great appeal for children and teens who like watching many episodes of favorite series or some sport at one time and don't care if they are "old" or repeats. Cable operators expect VOD to be the kind of service to which viewers are strongly attracted, once they try it.

From the standpoint of the end-user's experience, true VOD operates largely the same as most MVPDs: recorded programs are stored in DVRs, with play, pause, stop, fast-forward and rewind capabilities, but fast-forward may be disabled in key VOD shows to prevent skipping commercials. Usually viewers can watch all or part of any movies as often as they wish during a 24- or 36-hour period.

One of the major reasons for implementing on-demand is to cut down on *churn* (subscribers who start and stop their premium subscriptions faster than the network would prefer, a process that adds to the business costs). *The industry's assumption is that if more options and more conveniences are available to consumers, they will be more likely to continue paying for a service.*

Internet services such as CinemaNow and Movielink offer internet-based VOD services, as does Netflix (see Chapter 4). The days when VOD meant only "cable" are long gone, and the internet may win this battle eventually, as consumers learn to turn to their computer or tablet screens for television as readily as to large HD screens.

Comcast has been able to leverage its full or part ownership of such niche networks as Home & Garden Television, Food Network, Cartoon Network, the History Channel and E! Entertainment Television to create demand for VOD. Even sports networks associated with the NBA and the NFL make older game replays and highlights available on VOD, and multicultural programming is particularly popular, especially Hispanic programs (see Time Warner's FVOD in 9.3). FVOD is now viewed enough that Nielsen already measures aggregate linear cable networks separately from VOD viewership of individual programs. VOD revenue today is in the billions.

With SVOD, subscribers may get the best of both worlds for the same subscription price. They get (1) a packaged "live" service for watching highly promoted first telecasts of premium programming

9.3

Time Warner Cable's "Start Over"

Time Warner Cable has its own FVOD feature called Start Over, an on-demand application that allows customers to jump to the beginning of a program in progress without any preplanning or in-home recording devices. When tuning to a Start Over–enabled show in progress, customers are alerted to the feature through an on-screen prompt. By pressing "Select" on the remote control, the program is immediately restarted from the beginning (but without the ability to skip commercials). Recently, some HD channels have become "start over' enabled. About 70 percent of Time Warner's digital subscribers use Start Over, and the idea was awarded an Engineering Emmy at the 2007 Consumer Electronics Show.

and (2) using a different distribution system, a video-on-demand version of the same programs. The packaged service is like a conventional real-time linear network where scheduling is important. The VOD version has two methods of delivery, depending on the cable operator. The first method warehouses the programs on a central video server located at the headend building of the cable provider and makes the content available whenever the viewer requests it. Niche or "lightly viewed" networks are considered the best for early implementations of *switched digital video*, a relatively new technology that directs channels only to customers who want to view them at that time. The second system relies on decentralized storage, housed in set-top boxes equipped with high-capacity disk storage, if viewers have DVR equipment. The operator downloads the material, where it can be retrieved on demand. Either way, viewers can watch what they want, when they want it, for only a monthly fee. They can choose to watch the first-available "live" version or choose another time to view a replay.

If all these kinds of VOD sound complicated, it is because this decade is the shakeout period in which new delivery and reception technologies are battling to win. Because cable subscribers are more accustomed to paying monthly for tiers of services than paying for each use, SVOD successfully bridges the two models. Anyone who has had the option of paying a single price for entry to all amusement rides at a county fair versus a per-ride cost understands the appeal of SVOD over VOD, even when it is called "free."

Services such as HBO that cling to the premium pay-per-month model use SVOD as a way to enhance the value of their programming. Disney (which owns ABC Family, ESPN, the Disney Channel and other services) is reluctant to give away the added value of its programs by making them available on demand, so it has resisted SVOD. At the other end of the spectrum, World Wrestling Entertainment launched WWE 24/7 as an SVOD service to leverage its 75,000 hours of professional wrestling. As long as subscribers are willing to pay an additional $4.95 or so a month for SVOD access to basic channels, such channels will resist the trend toward pay-per-use, the true VOD. Having unpredictable amounts of revenue is what understandably scares content suppliers.

Furthermore, on-demand is not limited to cable, satellite and telephone television. Even conventional broadcasting stations can be part of this brave new world through online services, second channels negotiated from cable operators in return for retransmission consent or, they hoped, multiplexed digital channels using a spectrum set aside for HDTV (but Congress soon put an end to this practice: HD spectrum is only for HD). Starting in 2005, CBS-owned stations offered CBS on Demand service to compete with HBO on Demand and TBS on Demand. The internet variety, *download-to-own VOD*, is more suited to the type of streaming distribution described in Chapter 4 but offers programming identical to that offered on basic and pay services.

Competition among Program Services

When considering advertiser-supported services, what real difference exists between CBS and USA networks? Both target a broad audience, both carry a mix of rerun and original shows, both carry live sports, both have theatrical and first-run movies, and both have sitcoms and game shows. The obvious difference is the presence or absence of news programming, but another modest difference lies in the better than 98 percent reach of a broadcast network versus the 92 percent reach of the top subscription networks (and much smaller reaches for smaller ones). But most important, broadcast networks still outspend the cable networks, with each of the Big Four networks spending far more on content than any subscription program services. Broadcast network programs garner the most press and social network attention individually and as a group.

One way to understand the multichannel programming business is to consider the wholesaler–retailer analogy: National cable networks are like coast-to-coast wholesalers in that they sell their product—*programming*—to regional and local outlets, the wired (or wireless) cable system program operators, satellite services, telcos and others. MVPDs are like retailers because they sell their product—*television programming services*—to consumers, home by home and subscriber by subscriber. The wholesalers have four functions:

1. **Licensing** existing shows or financing original programming created by Hollywood's studios or independent producers, or in conjunction with international joint-venture partners
2. **Packaging** programming in a form acceptable to consumers (by providing interstitial promotions such as wraparounds, titles, on-air hosts and graphics)
3. **Delivering** programming by satellite to MVPDs
4. **Supporting** their products with national advertising and promotion and by supplying advertising materials and co-op dollars at the local system level

Program content services actively compete for fresh content; there are more outlets than top quality new programs. *The licensing of many American television programs and movies follows a pattern beginning with the most profitable U.S. markets and ending with international distribution*. Basic cable networks bid directly against local broadcast stations (and each other) for the rights to movie packages and hit off-network television series. Because of the way original contracts for most series are written, most basic cable networks pay much lower residuals than broadcast stations do. *Residuals*, as discussed in Chapters 2 and 6, are payments to the cast and creators every time the program is reshown. Licensing fees for cable networks can be several hundred thousand dollars per episode (which may seem expensive but is far lower than for big broadcast stations). As a result, basic cable television has become a key *aftermarket* in the progression of sales of movies and serial programs, generating hundreds of millions of dollars in profits for U.S. and foreign program distributors.

In addition, the largest cable networks have consistently outbid broadcasters (stations and station groups—as explained in Chapter 6) to get first rerun rights to newly available hour-long adventure and drama series and even some half-hour situation comedies. (As discussed in Chapter 2, hour-long series are less useful in rerun to broadcasters, and even such a hugely successful action series as *CSI* has underperformed many half-hour sitcoms in station reruns.) All this heavy-duty competition for content has driven the top cable networks into producing their own *signature series*. Although production costs are very high, the reward comes from having promotable content ("See X here and nowhere else!"). Such series are normally produced in conjunction with advertisers so costs are underwritten. Putting out a new series without underwriting commonly means that producers have to wait for a ratings track record to develop, a long process that demands very deep pockets.

A few theatrical films have gone straight from theaters to cable networks, and many European television series go directly to cable. Spike TV imports Japanese shows dubbed in English or cloned. Cable also has become a *foremarket* for some programs that later appeared on U.S. broadcast stations. For example, *Politically Incorrect* migrated from Comedy Central to ABC in 1996 (although Bill Maher eventually took his show to HBO to escape censors and controversy).